

**Town of Wellesley**  
**Town-Wide Financial Plan**  
**2016 Annual Town Meeting**

March 28, 2016

- **Strong financial position**
  - Pension & OPEB funding
  - Healthy reserves
  - Reasonable debt burden & conservative amortization
- **Budget**
  - Balanced with modest use of reserves
  - Further health insurance savings
- **Capital**
  - Continuing to reinvest in infrastructure
- **Looking forward**
  - Continuing budget challenges
  - HHU uncertainty – cost and timing

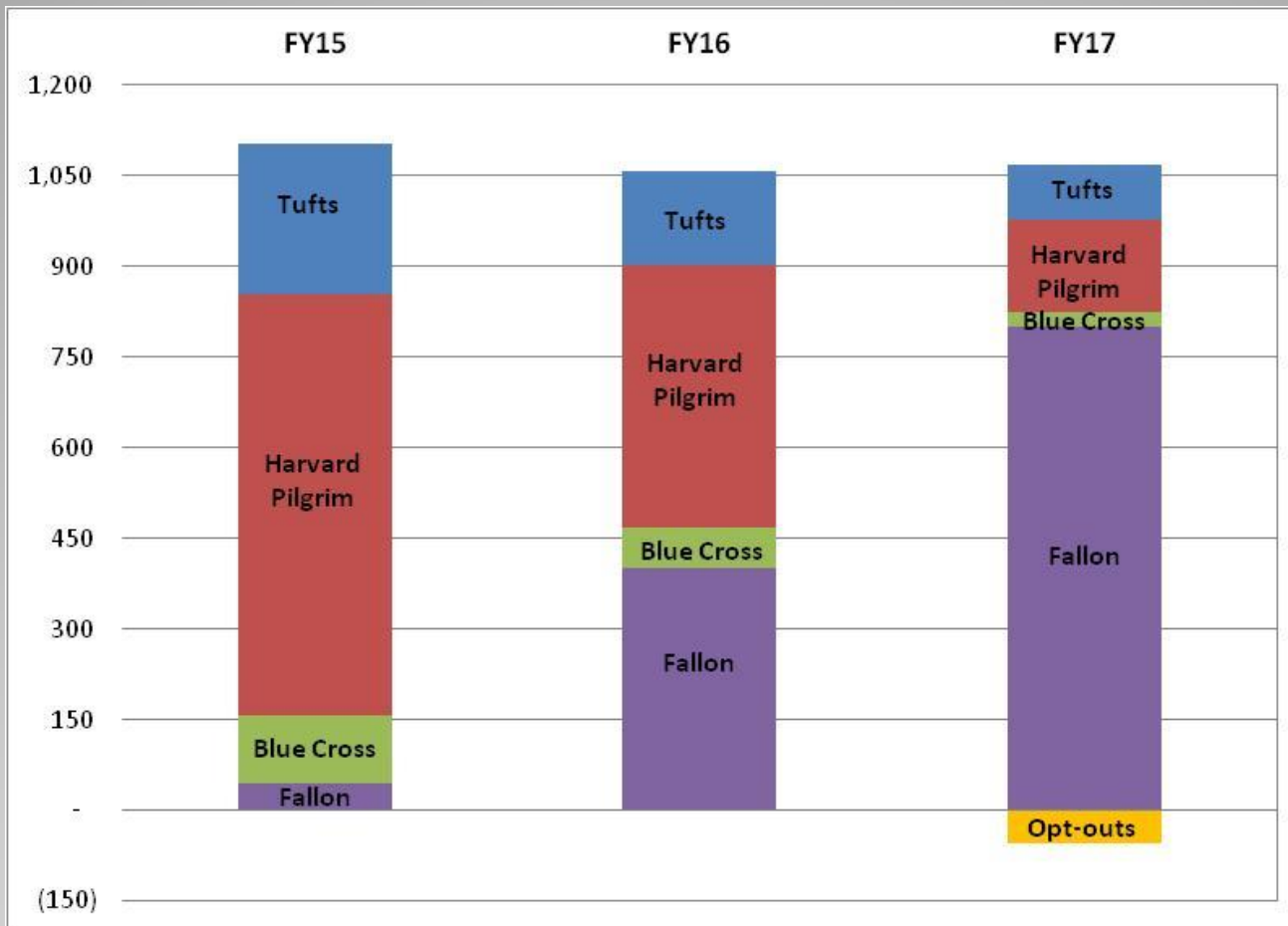
## Summary

- All Town contracts settled through FY17
  - Agreements to be approved at this Town Meeting
    - Superior Officers
    - Patrolmen
    - Library Association
- School contract negotiations ongoing

**Collective bargaining**

- Transition to Fallon plans greater than assumed in FY16 budget
  - Benefitting reserves & FY17 budget

**Health insurance**



**Health insurance - active plan subscribers**

- FY16 and FY17 budgets have benefitted from 2015 Agreement
- Anticipate renewed cost growth in FY18
- Need new strategy:
  - Next round of collective bargaining (all Town contracts expire 6/30/17)
  - Expiration of agreement with unions 6/30/18
  - Sunset of Rate Saver plans 6/30/18

**Health insurance**

- Full funding
  - Pension – 2030
  - OPEB – 2037
- Conservative assumptions
  - Pension – 6.75%
  - OPEB – 7%
- FY17 - final year of OPEB exclusion
  - Lowering tax rate

**Pension & OPEB**

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Pension				
Tax Impact	\$ 6,150,755	\$ 6,390,114	\$ 6,621,863	\$ 6,861,373
Enterprise /Other	1,135,142	1,172,159	1,213,912	1,257,819
	<u>7,285,897</u>	<u>7,562,273</u>	<u>7,835,775</u>	<u>8,119,192</u>

#### OPEB (Tax Impact Only)

Pay-as-you-go	\$ 4,701,338	\$ 5,093,465	\$ 5,477,228	\$ 5,929,447
Inside the Levy	1,800,000	2,400,000	3,000,000	3,000,000
Exclusion	1,200,000	600,000	-	-
	<u>7,701,338</u>	<u>8,093,465</u>	<u>8,477,228</u>	<u>8,929,447</u>

## Pension & OPEB funding

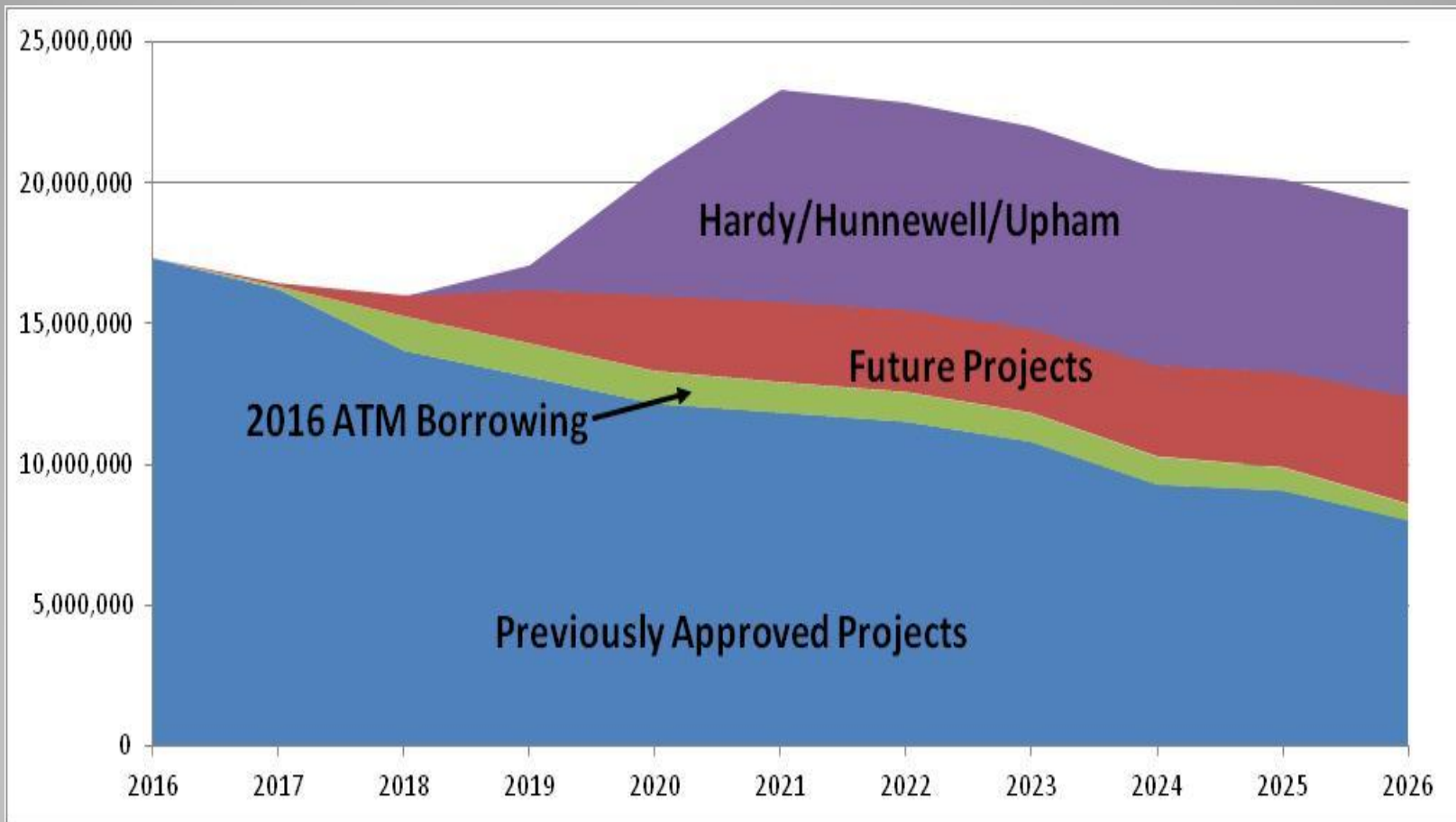


- Schofield/Fiske - \$19.9m
  - Middle School windows - \$4.9m
  - 900 Worcester - \$5.1m
  - North 40 - \$35m
- 
- Tolles-Parsons - \$6.7m ← *This Town Meeting*
  - School security - \$2.5m
  - Middle School infrastructure - \$5.4m (2018)
  - Hardy/Hunnewell/Upham - \$94.5m (>2018)

## Major capital projects

- Tolles Parsons – May 2016
- Middle School – FY18
- Hardy/Hunnewell/Upham – FY19

**Debt exclusions**



# Debt service

- Improvements needed
  - Integrate capital into budget guidelines
  - Work with School Department to smooth fluctuations in cash capital

**Capital planning**

	<b>FY16 Budget</b>	<b>FY17 Request</b>	<b>\$ Inc/(Dec)</b>	<b>% Inc/(Dec)</b>
<b><i>Sources of Funds</i></b>				
Taxes	\$ 113,458,735	\$ 117,895,203	\$ 4,436,468	3.9%
State Aid	9,201,364	9,386,000	184,636	2.0%
Local Revenue	10,908,415	11,205,000	296,585	2.7%
Free Cash (to balance)	2,624,169	2,561,257	(62,912)	-2.4%
Free Cash other	132,000	-		
Other Sources	987,971	1,056,874	68,903	7.0%
CPA Funds	891,950	1,615,400	723,450	81.1%
CPA to offset debt	580,000	548,944	(31,056)	-5.4%
Exempt Debt	12,803,348	12,374,727	(428,621)	-3.3%
OPEB Exclusion	1,200,000	600,000	(600,000)	-50.0%
<b>Total Sources</b>	<b>\$ 152,787,952</b>	<b>\$ 157,243,406</b>	<b>\$ 4,455,454</b>	<b>2.9%</b>
<b><i>Uses of Funds</i></b>				
School	\$ 66,689,159	\$ 69,524,634	\$ 2,835,475	4.3%
Facilities Maintenance	6,901,668	7,059,340	157,672	2.3%
Other Town Departments	27,445,278	28,259,426	814,148	3.0%
Employee Benefits	26,133,432	26,304,938	171,506	0.7%
Cash Capital	4,501,752	5,152,079	650,327	14.4%
Debt Service (inside Levy)	3,970,125	4,274,282	304,157	7.7%
Other Uses	3,763,190	3,745,036	(18,154)	-0.5%
Exempt Debt	13,383,348	12,923,671	(459,677)	-3.4%
<b>Total Uses</b>	<b>\$ 152,787,952</b>	<b>\$ 157,243,406</b>	<b>\$ 4,455,454</b>	<b>2.9%</b>
<b>Surplus/(Deficit)</b>	<b>\$ 0</b>	<b>\$ (0)</b>		

# FY16 Budget

<i>(\$ millions)</i>	<u>Deficit</u>
As projected @ 2015 ATM	\$ (3.1)
Local revenue	0.1
Schools @ 4.25%	0.5
Health insurance	0.9
Cash capital	1.2
Inside the levy debt service	0.3
Other	0.1
Balanced budget	<u><u>\$ (0.0)</u></u>

**FY17 budget**

- Will remain above 8% of revenue
  - Despite uses of Free Cash planned for this Town Meeting
- Health insurance savings a major factor

**Reserves**

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Prior year median tax bill	\$ 11,098	\$ 11,723	\$ 11,919	\$ 12,424	\$ 12,820
Levy growth	277	293	298	311	321
Override	-	-	276	-	-
Schofield/Fiske	121	45	(3)	(4)	(4)
Middle School Windows	18	26	(1)	(1)	(1)
North 40	133	-	-	-	-
Tolles-Parsons Center	-	9	46	(1)	(1)
Hardy/Hunnewell/Upham	-	-	-	82	329
Middle School Infrastructure	-	-	-	69	(2)
Other debt exclusions	(34)	(122)	(56)	(59)	(26)
OPEB funding exclusion	(55)	(55)	(55)	-	-
Other	165				
Current year median tax bill	<u>\$ 11,723</u>	<u>\$ 11,919</u>	<u>\$ 12,424</u>	<u>\$ 12,820</u>	<u>\$ 13,436</u>
<i>% Increase</i>	<i>5.6%</i>	<i>1.7%</i>	<i>4.2%</i>	<i>3.2%</i>	<i>4.8%</i>

# Median tax bill



	<u>FY06</u>	<u>FY16</u>	<u>Annual Growth</u>
Levy limit	\$ 66,888,300	\$ 113,559,005	5.4%
Exclusions	2,157,698	14,003,348	20.6%
Total levy	69,045,998	127,562,353	6.3%
Assessed value	7,336,854,000	10,774,478,700	3.9%
Tax rate	9.41	11.83	2.3%
Median home value	631,000	991,000	4.6%
Median tax bill	\$ 5,938	\$ 11,724	7.0%

Exclusions (\$ millions)

Schools	\$ 10.9
North 40	1.4
OPEB	1.2
Other	0.5
	<u>\$ 14.0</u>

**10 year trend**

- 5<sup>th</sup> highest average residential tax bill
- 5<sup>th</sup> lowest tax rate

**Wellesley vs. top 25  
Massachusetts communities**

- Pay full cost of current operations/services
- Proactively address emerging issues
- Protect the Town against material risks
- Preserve the Town's assets
- Plan for the long-term

**TWFP - Guiding principles**

- Pension & OPEB
  - Funding normal cost and amortizing past service liability
- Benchmark level of funding for:
  - Facilities maintenance
  - Road resurfacing/reconstruction

*(Need to continue to assess benchmarks)*

**Pay full cost of current  
operations/services**

- Stormwater drainage (NPDES regulations)
- Unified Plan
- Public transportation
- Bicycle safety

**Proactively address emerging issues**

- Training
  - MIIA Awards Program
  - Human Resources
  - Town Counsel (OML and Conflict of Interest)
- MIIA policy
  - Auto
  - General liability
  - Property (\$365m of facilities)
  - Umbrella
  - Officials

**Protect the Town against material risks**

- Health insurance
  - WSHG consortium
  - Multiple tiers of reinsurance
- Workers comp reinsurance
- Injured on duty risk
  - Cabot claims management
  - Special purpose stabilization reserve
  - Chubb insurance policy
- Financial reserves

**Protect the Town against material risks, continued**

- Increased spending on:
  - Facilities maintenance
  - Roads

**Preserve the Town's assets**



- Five Year Capital Budget Program
- Projected Sources & Uses of Funds

**Plan for the long-term**

## Revenue

2.5% Levy growth + 1.4% New growth
= 3.9%

## Spending

Schools	5%
+ Health Ins.	5%
+ Other Depts.	2.5%
=	4.1%



# Ongoing challenge

- Projected deficit - \$4.1M
- Key variables
  - Teacher contract
  - Special education
  - Health insurance
  - Capital projects

**FY18 outlook**

- Budget
  - Consistent with TWFP & Guidelines
  - Balanced with one-time savings
  - Incremental in nature vs. reflective of town-wide strategic plan
- Biggest questions
  - Teachers contract
  - HHU

**In closing**

**Questions???**